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ORIGINAL

IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF IDAHO

In re:

**LYNN KETTERLING and JEANNE
KETTERLING, dba Ketterling Farms**

Debtor.

Case No. 03-41318

DEBTORS' CHAPTER 12 PLAN
Dated 9-30-03

LYNN and JEANNE KETTERLING, dba Ketterling Farms, hereby propose the following
Chapter 12 Plan:

This plan, proposed by the Debtors, contains provisions that may significantly affect your rights. It contains matters, which if not objected to, may be accepted by the court as true. Creditors cannot vote on this plan. A creditor who wishes to oppose the plan may do so by timely filing an objection to the plan. Any objection must be in writing and must be filed with the court and served upon the Debtors, debtors' attorney, and the chapter 12 trustee on or before 10 days prior to the hearing set for confirmation of this Plan. Absent any such objection, the court may confirm this plan, accept the valuations and allegations herein, and grant the Motions without further notice or hearing. Creditors must appear at the hearing on confirmation of the plan to assert their objections, or they may be denied without further notice or hearing. The provisions of the confirmed plan will bind the debtor and each creditor.

DEFINITIONS:

For purposes of this Plan (as hereinafter defined), the following terms shall have the meanings hereinafter set forth:

A. Administrative Claim: A Claim Allowed under §503(b) of the Code that is entitled to priority

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in payment under §507(a)(1) of the Code.

B. Allowed Claim: A Claim (as defined hereinafter and with reference to §101(4) of the Bankruptcy Code): (a) in respect of which a Proof of Claim has been filed with the Bankruptcy Court within the applicable period of limitations fixed by applicable law, Bankruptcy Rule or Court order; or (b) which is listed in the Schedules (defined herein below) filed by Debtor with the Bankruptcy Court, including any amendments thereto, and which is not listed as disputed, contingent or unliquidated as to amount; and further, as to any Claim, either no objection to the allowance of which has been filed or, if any objection to the allowance thereof has been filed, such objection has been denied or the claim fixed as to amount by an order or judgment which has become final by reason of the expiration of the period of appeal therefrom or from any decision on appeal without an appeal or further appeal having been taken.

C. Bankruptcy Code: Title 11, United States Code and such portions of Titles 18 and 28, U.S.C., as are applicable to this case.

D. Bankruptcy Court: The United States Bankruptcy Court for the District of Idaho.

E. Bankruptcy Rules: (a) the Federal Rules of Bankruptcy Procedure, as promulgated by the Supreme Court or the Judicial Conference of the United States, as amended or revised, and as may be applicable to this case; and (b) the local rules for the Bankruptcy Court for the District of Idaho.

F. Claim: Includes: (a) a right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; (b) a right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to a judgment fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured; or (c) a claim arising under §502(g) of the Bankruptcy Code. This definition is not intended to modify or alter the definition of "claim" in §101(5) of the Bankruptcy Code.

G. Class: The Classes created under §1222 of the Bankruptcy Code into which an Allowed Claim or Allowed Interest is placed pursuant to this Plan.

II. Secured Claim: An Allowed Claim against Debtor incurred prior to commencement of this Chapter 12 proceeding, which is secured by a valid lien, mortgage or security interest against or interest in property in which Debtor has an interest, which is not void or voidable under any state or federal law including any provision of the Bankruptcy Code, to the extent of the value (determined in accordance with §506(a) of the Bankruptcy Code) of the interest of the holder of such Allowed Claim in Debtor's interest in such property, or to the extent of the amount subject to such setoff, as the case may be.

I. Farm Real Property: Debtor's real property at 525 West 425 North, Rupert, Idaho, consisting of 119 acres, plus buried mainline, pump, and related fixtures.

J. Residential Real Property: Debtor's residence at 100 North 160 West, Rupert, Idaho, consisting of a home plus seven acres. There is a life estate reserved thereon for Elmer Ketterling.

K. Sugar Company Stock: This consists of 160 shares of the capital stock of Snake River Sugar Company.

L. Farm Equipment: This consists of the items described in Items 27 and 31, Schedule B of Debtor's schedules, including: milk mixer; dishwasher; 4X2 John Deere "Gator;" John Deere skid loader; John Deere loader; 1972 International 574 tractor; 1999 20' 5th-wheel stock trailer; 1975 Ford F750 spreader truck; 494 bottles; 847 buckets; 456 large, 36 small, calf pens; 5-Lake Wheel Lines; 7 Lake Wheel Lines; 1975 3-row forage harvester; New Holland 475 baler; grain cart and motor. In addition the following vehicles are defined herein under the sub-category of Farm Vehicles: 1997 Ford F-150; 1988 GMC 3500; 1973 GMC 6000 truck; 1978 Ford F750 truck; 1966 Ford F-100 pickup.

M. Personal Vehicles: These items include the 1999 Ford Expedition, the 1999 Ford F-250 truck, the 1993 Polaris 250 and 1994 Polaris 250.

M. Calves: Approximately 139 head of calves being raised to market weight, and sold in the ordinary course of Debtors' business. Calves previously raised have been sold and the proceeds delivered to the Trustee.

Article I: PAYMENTS TO TRUSTEE. Such portion of the projected future earnings and income of the debtors as is necessary for the execution of the plan is submitted to the supervision and control of the Chapter 12 Trustee for the duration of this plan. From the payments so received, the trustee shall make disbursements as follows.

Article II: CLASSIFICATION AND TREATMENT OF CLAIMS. The classes of claims are as follows:

Class I: Administrative Expenses. All *allowed* priority claims set forth in 11 U.S.C. §507 for legal and accounting fees for the Debtor, and Trustee's fees as provided by 11 USC §326 and 28 USC §586. Fees to the Debtors's attorney and accountant shall be submitted to the Court for approval as required by law. Attorney fees shall be paid first from any retainer on hand, and secondly by the Trustee over the life of the Plan. As stated hereafter, any unpaid lease payments on the 'calf condos' shall be treated herein.

Moreover, there shall be treated as an administrative expense all payroll taxes which are claimed as postpetition taxes, any income taxes arising from sale or disposition of assets, and applicable sales taxes arising from such sales. Such tax claims shall be paid on sale or disposition of assets, or from available funds in the hands of Trustee.

Class II: Taxes. Unless the holder of the claim agrees otherwise, upon confirmation of the plan and the filing of an allowed claim, allowed unsecured priority claims of governmental units shall be paid in installments over the term of the plan. Thereafter, taxes which may become due shall be paid by the Debtors directly to such taxing authorities as required by law.

Class III: Secured Claims.

(1) **Sale of Assets.** Once the calves have been raised to market weight and sold (estimated to be during October or November, 2003) Debtors and/or Trustee shall sell all non-exempt items of Debtors, including any remaining calves, farm equipment, farm real property, farm vehicles, sugar company stock, and pay such sums received as called for in this Plan. Debtors will retain their personal vehicles and residential real property, as well as their exempt items of personal property, subject to payments of secured claims on such personal vehicles and residential real property as called for in this Plan.

(2) **Modification of rights of holders of secured claims of calves, farm equipment , crops and sugar company stock.** The secured creditors as to the calves, farm equipment, crops and stock in Snake River Sugar Co., are D.L. Evans Bank, Farm Service Agency, John Deere Credit, and Western Farm Services. Each of those specific creditors, will receive the amount of the sales price of the calves, farm equipment and farm vehicles to which they are entitled by virtue of their priorities, provided a timely allowed claim is filed. Any portion of the debt owed to a creditor in excess of the allowed secured value of the collateral will be treated in this plan as an unsecured claim. Each creditor holding an allowed secured claim shall retain its lien on the collateral securing that claim until the allowed secured value has been paid, at which time the lien shall be released. The allowed secured value is defined as the lesser of the amount of a creditor's claim or the value of the creditor's collateral, as determined by the sale price. Upon payment of the said allowed value of the secured claim, the secured creditor's lien shall be released, void of any further effect, including void of any further security interest.

Debtors propose that they be allowed up to 6 months to market these properties.

Classification of Creditors: The creditors in this class are classified as follows, based upon the claims in this case, and the UCC searches conducted by Debtors with the Idaho Secretary of State.

CREDITOR	COLLATERAL	PRIORITY DATE	CLAIM AMOUNT (NOTE: THIS IS NOT 'ALLOWED SECURED VALUE' IF THERE IS ANY DEFICIENCY FROM SALE OR COLLECTION OF RECEIVABLES)
A. D.L. Evans Bank	Dairy cattle; farm equipment; crops; accounts receivable; inventory	Crops, farm equipment, accounts receivable, cattle-2/21/1996; renewed 5/3/2001 Dairy cattle-2002	\$81,079.49
B. John Deere Credit	Loader; 'Gator'; skid steer loader	Loader-2/9/2001; skid steer loader- 4/15/1999; "Gator"- 9/13/1999	Loader-\$36,152.39 Skid steer-\$5,409.53 Gator-\$1,599.11
C. Western Farm Service	Inventory, accounts, farm equipment	5/24/2000. <u>Note:</u> <u>most has been</u> <u>repossessed and sold</u> <u>prepetition.</u>	\$102,517.67.
D. Farm Service Agency	Stock in Snake River Sugar Co.	4/12/1999	\$80,000

(3) **Modification of rights of holders of secured claims of farm real property.** The secured creditor as to the farm real property is the Farm Service Agency. That creditor will receive the amount of the sales price of the farm real property provided a timely allowed claim is filed, less the sum of \$80,000 attributable to the value of the stock of Snake River Sugar Co.. Any portion of the debt owed to this creditor in excess of the allowed secured value of the collateral will be treated in this plan as an unsecured claim. Each creditor holding an allowed secured claim shall retain its lien on the collateral securing that claim until the allowed secured value has been paid, at which time the lien shall be released.

The allowed secured value is defined as the lesser of the amount of a creditor's claim or the value of the creditor's collateral, as determined by the sale price. Upon payment of the said allowed value of the secured claim, the secured creditor's lien shall be released, void of any further effect, including void of any further security interest.

Debtors propose that they be allowed up to 12 months to market the properties. Debtor has been negotiating with potential purchasers, and believes that sales can be consummated.

(4) Modification of rights of holders of secured claims of personal vehicles. The creditors who have liens on personal vehicles are Ford Motor Credit (Expedition) and Onyx (1999 F-250). Those creditors shall receive the full value of the allowed secured claim held by them, provided a timely allowed claim is filed. Any portion of the debt owed to a creditor in excess of the allowed secured value of the collateral will be treated in this plan as an unsecured claim. Each creditor holding an allowed secured claim shall retain its lien on the collateral securing that claim until the allowed secured value has been paid, at which time the lien shall be released. The allowed secured value is defined as the lesser of the amount of a creditor's claim or the value of the creditor's collateral, as set forth in this plan, amortized at the rate of interest (simple interest, direct reducing), and over the number of payments as set forth in the plan as confirmed. Unless otherwise specified, no pre-confirmation interest shall be paid. Upon payment of the said allowed value of the secured claim, the secured creditor's lien shall be released, void of any further effect, including void of any further security interest. Unless otherwise ordered by the Court, payments shall commence upon filing of an allowable claim and pursuant to the terms of the Order of Confirmation of the plan.

The Debtors hereby MOVE the court for an order so fixing the value of the collateral as set forth herein, to-wit: The 1999 Ford Expedition-- \$11,020. 1999 Ford F-250--\$14,635.

Ford Motor Credit Company obtained a Stipulated Order dated September 15, 2003, which will

be honored by Debtors. The allowed secured claim filed is \$8,546.39. This claim will be paid in installments of \$300 per month until confirmation of the Plan, and thereafter at \$555.90 per month. Any arrearage at the completion of the contract shall be paid at \$555.90 until paid.

Onyx does not have a stipulated order. Their claim is \$15,845.88. This claim will be paid in installments of \$316.67 per month commencing on confirmation of the Plan. Any arrearage at the completion of the contract shall be paid at \$316.67 per month until paid.

Existing liens will remain in place until these claims are paid.

(5) Modification of rights of holders of secured claims—Residential Real Property. The primary creditor in this category is Farm Service Agency. In addition, Elmer Ketterling was to receive a monthly payment to compensate him for his retained life estate. Such creditors will be fully paid as provided for herein. Any arrearage will be paid by Debtors over the life of the Plan.

Elmer Ketterling's payment of \$500 per month will continue for the remainder of his life. The balance owed to FSA, estimated at \$81,850, will be paid at 5% per annum, in monthly installments of \$540.17, for a period of 20 years. FSA will retain its lien until this amount is paid. Debtors may sell their residence if they relocate, with FSA to be paid the remaining balance in this class upon sale.

Class IV: General Unsecured Claims. These claims are the general, dischargeable unsecured claims of Debtor, and the unsecured balance of claims owed to partially secured creditors. These creditors will be paid all of the Debtor's net proceeds of sales of farm real estate, farm equipment and farm vehicles, after payment of costs of sale, trustee's fees, priority claims, and the allowed secured claims of creditors with liens on the items of property sold. Debtors' postpetition income from their farming operation shall be paid to trustee for distribution. Debtors' postpetition income from employment (i.e., Mrs. Ketterling's teaching contract and Mr. Ketterling's future employment) shall not be paid to any creditor herein, as those sums are not property of the estate.

Class V: Executory Contracts and Unexpired Leases. The Debtors reject the Land O'Lakes contract for feed delivery as of the date of cessation of business.

Debtors do not know if the lease with Wells Fargo Financial Leasing for the 120 'calf condos' and grain feeders in their possession is a 'true lease' or not. Wells Fargo Financial Leasing has not filed a proof of claim in this case, although they have a financing statement on file with the Idaho Secretary of State. The Trustee may sell such 'calf condos' and grain feeders, and hold the proceeds pending receipt of a proof of claim. If no claim is filed, Wells Fargo Financial Leasing will be deemed to have an allowed claim of \$12,000, and Debtors shall file a claim in that amount. Any surplus shall be retained by the Trustee for payments under this Plan.

ARTICLE II Execution and Implementation of the Plan

A. Upon confirmation each creditor will receive payment of its claim on the terms and in the amounts provided for herein.

B. Debtors shall pay for all plan payments using operating income from its farming operations so long as there are calves being raised, at which time the farming operation shall cease. The anticipated date therefore is October 1, 2003. In addition, all payments received from sales of assets, collection of accounts receivable, and income received other than from personal employment, shall be paid to Trustee over the life of this Plan.

C. Debtor shall maintain insurance on the properties being retained by them, with the secured creditors being named as additional loss payees. With regard to insurance on the properties to be sold, insurance will be maintained upon approval of the Court, with payments to be made from proceeds in the hands of the Trustee (including calf proceeds) until such property is sold, or the automatic stay is vacated to allow repossession. If calf proceeds are used, the first unencumbered funds will be used to reimburse the creditor for such premiums. If the creditors prefer, they may advance such insurance

premiums for their collateral and add the amount of such premiums to their allowed secured claim.

D. All secured creditors for which payment provision is made in this Plan will retain their liens until the secured claims are paid as above set forth.

E. The Debtors and Trustee shall jointly sell all farm equipment, farm vehicles and farm real property, as soon as practicable. It is understood that if there is an offer to purchase, it will be scheduled for hearing before the Court as a public auction, with the Court to approve the sale. Debtors and Trustee shall coordinate the retention of an auctioneer or real estate broker, if needed, whose fees shall be treated as an administrative expense. If the properties are not marketed within 12 months from the date of confirmation of this Plan, the Trustee may proceed to auction any assets, real or personal remaining. Fees of any auctioneer or real estate broker may only be paid with court approval.

NO CREDITOR NOT SPECIFICALLY PROVIDED FOR HEREIN, WILL RECEIVE ANY CASH OR OTHER DIVIDEND BY VIRTUE OF THIS PLAN, WHATSOEVER, AND THE DEBTOR WILL BE DISCHARGED OF ANY FURTHER PERSONAL OBLIGATION TO ANY CREDITOR EXCEPT AS SPECIFICALLY PROVIDED FOR HEREIN.

ARTICLE IV Modification of Plan

The court will retain jurisdiction under this Plan until this Plan has been fully consummated, not to exceed five years. The Court retains jurisdiction for all purposes, including the following:

A. Classification of the claim of any creditor and the re-examination of the claims which have been allowed for the purposes of voting, and the determination of such objections as may be filed to the creditors' claims. The failure by the Debtor to object or examine any claim for the purposes of voting shall not be deemed a waiver of the Debtor's right to object to allowance thereafter.

B. Determination of all core proceedings

C. The correction of any defect, the curing of any omission, or the reconciliation of any

inconsistency in this Plan or order of confirmation as may be necessary to carry out the purposes and intent of this Plan.

D. The modification of this Plan after confirmation pursuant to the Bankruptcy Rules and Title 11 of the United States Code.

E. To enforce and interpret the terms and conditions of this Plan.

F. Entry of any order, including injunctions, necessary to enforce the title, rights, and powers of the Debtor and to impose such limitations, restrictions, terms and conditions as this court may deem necessary.

G. Entry of an order concluding and terminating this case.

ARTICLE V Modification of Plan

The Debtor may propose amendments or modification at any time prior to confirmation, upon notice to creditors. After confirmation, the Debtor may propose amendments on approval of the Court,

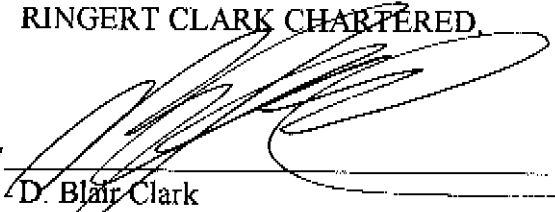
(a) so long as it does not materially affect the creditors, to correct defects or reconcile inconsistencies, or

(b) to carry out the purposes of the Plan, in case of change in circumstances of Debtor or its business

Dated this ~~30~~²⁰th day of September, 2003.

RINGERT CLARK CHARTERED

by


D. Blair Clark
Attorneys for Debtor

LYNN and JEANNE KETTERLING--LIQUIDATION

ASSET	VALUE	LIENS	EXEMPTI	EQUITY available to pay priority claims, costs of administration, liquidation or sale, and unsecured claims
Real property at 100 N. 180 W., Rupert, ID	\$155,385			
Elmer Ketterling--life estate		\$45,000		
FSA		\$81,850		
Total Liens		\$126,850	\$50,000	\$0
Real property at 500 W. 425 N., Rupert, ID	\$160,000			
FSA (after deducting value of Snake River Sugar stock)		\$57,715	\$0	\$102,285
1999 Expedition	\$11,200			
Ford Credit		\$8,546	\$3,000	\$0
1999 F-250	\$14,635			
Onyx		\$15,846	\$3,000	\$0
Other vehicles	\$26,835			
Liens (none filed with claims)		\$0		\$26,835
Loader	\$58,000	\$36,152		
Skid steer loader	\$16,000	\$5,410		
Gator	\$2,000	\$1,599		
Total Value	\$76,000			
John Deere Credit		\$43,161		\$32,839
Snake River Sugar Co.	\$80,000			
FSA		\$80,000		\$0
Calf proceeds, crop proceeds, rent and beet payments (net)	\$94,000			

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D.L. Evans Bank	\$84,000	\$10,000
Silage sales	\$4,000	\$4,000
Farm Equipment, (est.; includes tractors, wheel lines, buckets)	\$70,000	
Calf pens	\$71,000	
Wells Fargo Leasing (NO CLAIM FILED; DEBTOR BELIEVES THIS LEASE IS A 'DOLLAR BUYOUT' LEASE; AMOUNT SHOWN IS ESTIMATE)	\$12,000	
Western Farm Service	\$103,000	\$26,000
TOTAL		
BALANCE FOR PRIORITY AND UNSECURED CLAIMS		\$201,959

Jeanne and Lynn Ketterling

Calf Raising Business

	July 03	Aug 03	Sept 03	Oct 03	Nov 03	Dec 03	TOTALS
FEED-GRAIN	4500	3400	2400	1200			11500
FEED-MILK	3940	1320					5260
PHONES	160	160	160	160	160		800
FUEL	400	400	400	400			1600
OTHER							
INSURANCE	560	560	0	0	400		1520
ELMER							
KETTERLING	500	500	500	500	500		2500
EMPLOYEES	3680	3680	500				7860
REPAIR/MAINTAIN	400	400	400	400			1600
VET SUPPLIES	600	200	200	200			1200
TAXES	0	0	0	0	0		0
POWER	500	500	500	500	500		2500
LIVING							
EXPENSES	1700	1800	0	0	0		3500
TOTALS	16940	12920	5060	3360	1560		39840

